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RUEHNH/AMCONSUL NAHA 9425  
RUEHKSO/AMCONSUL SAPPORO 7581  
RUEHBJ/AMEMBASSY BEIJING 1544  
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SENSITIVE  
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TAGS: [ENRG](#) [ETRD](#) [SENV](#) [EAID](#) [PREL](#) [JA](#)

SUBJECT: OVERVIEW OF JAPANESE EXPORTS OF CLEAN ENERGY TECHNOLOGY TO ASIA

11. (SBU) SUMMARY: The export of clean energy technology to Asia is a growing market at the nexus of Japan's industrial policy, overseas development goals, and energy security posture. To date four strategies have driven development and marketing of such technology, including: (1) ongoing economic recovery and revitalization efforts; (2) efforts to expand into emerging markets, notably in China, Indonesia and Vietnam, in the face of a long-term decline in domestic energy demand; (3) efforts to strengthen its global leadership position on climate change and achieve ambitious carbon reduction targets; and (4) efforts to reduce energy consumption, particularly in China, in response of mounting competition for natural resources. Ongoing GOJ efforts to promote exports of clean energy technology to Asia will likely expand under the Democratic Party of Japan (DPJ)-led government if the party follows through on pledges in its manifesto and recent public remarks. END SUMMARY.

#### JAPANESE CLEAN ENERGY TECHNOLOGY EXPORTS BOOMING

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12. (U) By most accounts, Asia is a growing market for Japanese clean energy technology. Exports of wind turbines and solar cells alone amounted to 107.8 billion yen (around \$1.1 billion) in 2008, and Japan's trade promotion agencies continue to see promise for Japanese clean energy technology exports. According to a May 2009 Japan External Trade Organization survey of 813 companies, nearly 90 percent saw potential growth in the global environment business. Out of these, almost 40 percent either already are or are considering producing or selling environment-related products, and about 30 percent are either already exporting or considering exporting them. Japanese business strategists point to a combination of (1) a long-term stagnant market in Japan, where energy demand is expected to fall with population decline, (2) a sharp rise in renewable energy demand overseas, particularly in Asia, and (3) Japan's comparative advantage in advanced energy technology.

13. (U) In coordination with the Ministry of Economy, Trade and Industry (METI), Japanese industry has mobilized to promote such technologies, including hybrid automobiles, solar technology, heat-pump technology, clean-coal technology and other highly efficient electricity generation technologies abroad. In October 2008, a group of leading Japanese businesses chaired by Fujio Mitarai, President of the Japanese business Federation (Keidanren) established the "Japanese Business Alliance for Smart Energy Worldwide", an alliance to promote Japanese energy efficiency and non-fossil Energies on a commercial basis worldwide. Japan is also expected to showcase Japanese clean energy technology in a "non-fossil town" demonstration project coinciding with the June 2010 APEC Energy Ministers' Summit in Fukui.

14. (U) The New Energy and Industrial Technology Development Organization (NEDO) is the GOJ's primary agency for transfer of clean energy technology abroad. With a focus on Asia, the organization has funded more than one hundred projects in the region since 1993 in the areas of energy efficiency, clean coal technology, and photovoltaic energy generation.

#### CLEAN COAL AND CARBON CAPTURE AND SEQUESTRATION

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15. (U) In particular, NEDO has supported numerous clean coal projects in the region since 1993. Among the more recent projects is a three-year model project to introduce a high-efficiency coal mine methane gas power generation system in Liaoning Province, China. The Japan Coal Energy Center (JCoal), a consortium of 103 companies in energy-related lines of business that cooperates with METI to promote clean coal technology, has also supported several projects in Asia, including a carbon capture and sequestration with enhanced oil recovery project in China. The Japan Bank for International Cooperation also joined the Australian Government's Global Carbon Capture and Storage Institute in April 2009 as a founding member, pledging unspecified support for global CCS projects.

#### ODA EFFORTS - THE COOL EARTH PARTNERSHIP

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16. (U) Japan's current ODA priorities/policies and the Japan International Cooperation Agency (JICA)'s portfolio prioritize global climate change aid for the developing world, including a \$10

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billion/5 year Cool Earth Partnership program. Launched in 2008, the Cool Earth Partnership has signed on over 90 countries which are now eligible to receive assistance. Recipient countries include the Asian nations of Bangladesh, Pakistan, Philippines, Laos, Maldives, Mongolia, Cambodia, Nepal, Sri Lanka, Thailand, East Timor, and the priority countries of Indonesia and Vietnam, which are perhaps the furthest along in developing with Japan's help national emissions reduction strategies.

#### CHINA

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17. (SBU) Nobuaki Kojima, the Chief Operating Officer of Mitsubishi Corporation's New Energy Development Division singled out the Chinese market as a particular growth area at a JETRO-organized seminar in July 2009, citing a combination of rising development, demographic conditions that favor increased energy demand, and government support for clean energy investments. As noted above, the GOJ has supported several clean coal projects in the region, typically in partnership with Japanese utilities. Japanese firms also identify market opportunities in China's wind power sector. For example, Mitsubishi Heavy Industries (MHI), Japan's largest manufacturer of wind turbines, entered a licensing agreement with a group company of Ningxia Electric Power Group Co., Ltd. to produce its best-selling MWT 62/1.0 model one-megawatt turbine, citing a desire to gain a foothold in China's growing wind energy market. However, officials from MHI and JCoal have also told embassies their firms have concerns about intellectual property rights and quality control in China that limit Japanese companies' interest in selling advanced clean energy technology into that market.

#### INDONESIA

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18. (U) Indonesia has also received attention as a destination for Japanese clean energy technology exports. The GOJ pledged Indonesia a Climate Change Program Loan of \$300 million in August 2008, the first loan of its kind under the Cool Earth Partnership. The Japan International Cooperation Agency (JICA) has also provided technical assistance for geothermal power projects in Indonesia.

#### EARLY SIGNALS FROM THE DPJ - THE HATOYAMA INITIATIVE

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¶9. (SBU) Prime Minister Yukio Hatoyama reaffirmed Japan's commitment to an ambitious goal of cutting its greenhouse gas emissions by 25 percent from 1990 levels by 2020 (about 30 percent from 2005 levels), in a September 22 address at a UN climate meeting in New York. This figure will include reductions from land use and purchases of carbon offsets from other countries. As part of the Initiative, Japan will significantly increase its public and private financial assistance and technological support to developing and island nations to both reduce emission and adapt to the effects of climate change. It will seek to establish rules that ensure developing countries' emissions reductions are measurable, reportable and verifiable.

¶10. (U) The Japanese commitments are contingent on agreement on "ambitious targets" by all major economies. Hatoyama called on developing countries, especially those with large emissions, to reduce their greenhouse gas emissions.

¶11. (SBU) Most climate experts agree that Japan will not be able to achieve these very ambitious greenhouse gas reduction goals through domestic action alone. A significant portion of the reductions (perhaps up to half) will have to come in the form of carbon credits from other countries

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